

**Principal Reasons Supporting a Merger
of the
Peninsula and Hampton Roads Economic Development Alliances**

The principal reasons for a merger of the two Alliances fall under four general areas:

1. Improved capability for marketing the Peninsula.
2. Cost savings (largely accruing to the benefit of the Peninsula municipalities).
3. Counteract the effects of declining private sector financial support.
4. Carryover benefits to the Peninsula from increased success in attracting more and better prospects to locate on the Southside.

In greater detail, these reasons and benefits include the following:

Improved Marketing Capability

The Peninsula, not to mention the region, will benefit in terms of improved marketing capability.

1. Larger regions (population, geography, diversity) tend to receive greater visibility and attention and consideration in business site selection than smaller entities.
2. Hampton Roads enjoys a better brand identity and awareness than does the Peninsula.
3. Greater attention from the state's economic development agency (VEDP) in lead referrals.
4. Elimination of intra-regional competition.
5. Less confusion among business prospects and site location consultants concerning which economic development organization represents a selected part of the metropolitan area.
6. Greater success in promoting the Hampton Roads MSA as one labor market.
7. Greater opportunity to leverage common/shared assets (e.g., port facilities, cultural facilities, airports, regional governmental agencies, educational institutions, research institutions, major employers, etc.).

8. Larger combined sales force and more resources, collectively, for marketing the region which includes the Peninsula.

Cost Savings

The merger would produce certain economies of scale which translate specifically into a reduced per capita contribution from Peninsula municipalities. Current contributions (ranging from \$1.25 to \$2.25) would be reduced to \$1.00 (after the phase-in period). For example, the annual savings to the City of Hampton would be approximately \$68,900 (after payment of the workforce development surcharge).

1. Less duplication of effort (and cost) in developing and maintaining research data and information for the region.
2. Less duplication of effort (and cost) in preparing and producing marketing and advertising materials for the region.
3. Various operational and functional efficiencies (e.g., bookkeeping, employee benefits, event planning, meetings, governance, etc.).

Private Sector Support

The Peninsula expends increasingly greater resources to retain existing members and yet continues to suffer a general attrition in private sector support. This is partly due to the desire of some regionally-based members to support only a combined regional economic development organization, and partly due to the limitations of the Peninsula Alliance (due to our size and geographic limitations) to produce results which would otherwise compel or justify greater private sector support.

While a merger could cost the loss of a number of \$1,000 members, it is likely that larger firms, especially those operating regionally, can be persuaded to support a combined alliance (or support at higher levels) with, overall, a net increase to private sector financial support.

Benefits Accruing to the Peninsula from Increased Successes on the Southside

While the principal justification for the Peninsula to join in a merger with Southside is the direct benefit from increased marketing successes for the Peninsula, nevertheless, a further justification to the Peninsula is the spill-over effect from greater successes that will also be realized on the Southside. For the same reasons discussed above as to why the Peninsula should

see more and better prospect activity for its sites, likewise, the Southside should also see improved prospect activity. Better jobs, greater taxable investment and higher profile companies which can be attracted to the Southside also produce tangible and distinct carryover benefits to the Peninsula. Peninsula citizens will be part of the workforce for these new Southside employers. Greater wealth flowing into the region benefits the overall economy and the Peninsula enjoys a significant piece of this. Higher profile companies (e.g., corporate headquarters) raise the stature of the region as a whole and improve everyone's prospects for further economic development successes in the future.

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RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NEWPORT NEWS, VIRGINIA, APPROVING THE MERGER AGREEMENT BETWEEN THE PENINSULA ALLIANCE FOR ECONOMIC DEVELOPMENT ("ALLIANCE") AND THE HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE ("HREDA").

WHEREAS, the City of Newport News, Virginia ("City") is a member of the Alliance; and

WHEREAS, the Executive Committee of the Alliance has voted affirmatively at its meeting of December 22, 2004 to approve the merger agreement between the Alliance and the HREDA, generally conveying to the HREDA certain marketing functions as delineated in the agreement, with the Alliance retaining its work force development functions; and

WHEREAS, a meeting of the Board of Directors of the Alliance and its membership is to be held January 26, 2005 at which the Directors, General Membership and Governmental Membership will vote to approve or not approve the merger agreement, and if all bodies vote affirmatively to approve, then a vote to amend the Bylaws and Articles of Incorporation of the Alliance will be necessary in order to be in compliance with the terms of the merger agreement, a vote which requires two-thirds (2/3) of the Directors to vote affirmatively for the approval; a majority of the General Membership to vote affirmatively for the approval; and five-sevenths (5/7) of the Governmental Membership to vote affirmatively for the approval, provided two (2) of the five (5) affirmative votes are cast by the Cities of Newport News and Hampton; and

WHEREAS, in furtherance of the process to approve or not approve the merger agreement, the City shall be asked to vote upon it at the meeting of January 26, 2005, as a member of the Alliance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Newport News:

That the City votes affirmatively for approval of the merger agreement between the Peninsula Alliance for Economic Development and the Hampton Roads Economic Development Alliance and votes affirmatively to effect the attendant changes necessary in the Bylaws and Articles of Incorporation of the Alliance in order to be in compliance with the terms of the merger agreement, and shall so cast its vote, either in person or by proxy at the January 26, 2005 joint meeting of the Directors and Members.

Passed by the City Council of the City of Newport News on _____ day of _____, 2005.